

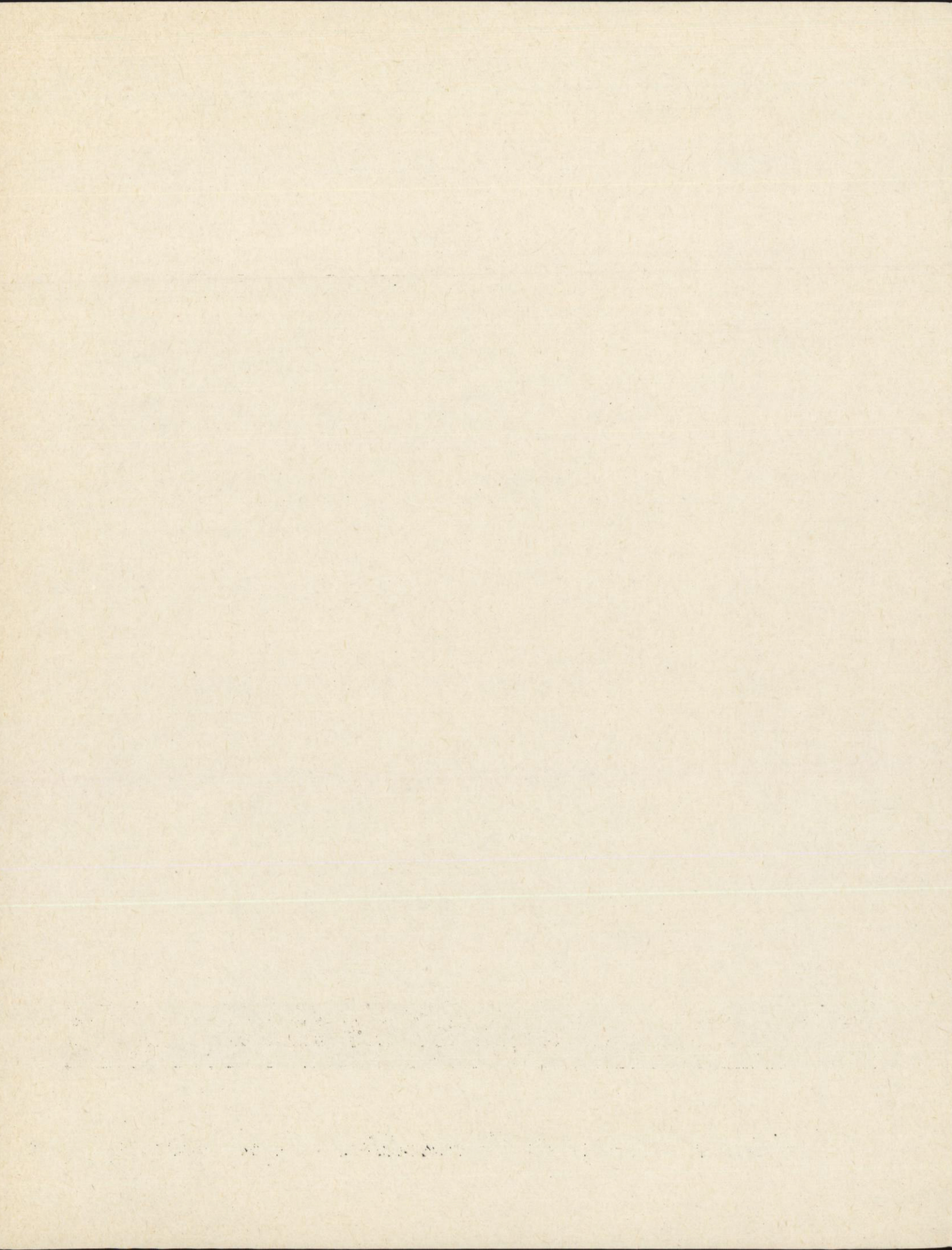
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Walgreen drug stores

WALGREEN CO. (An Illinois Corporation) AND SUBSIDIARY COMPANIES

Annual Report to Stockholders · September 30, 1947

MRB
Corp. File



Walgreen Co.

Officers and Directors

CHARLES R. WALGREEN, JR.....*Director—President*
SANFORD J. BOWYER.....*Director—Vice President*
H. TRACY FOWLER.....*Vice President*
HARRY GOLDSTINE.....*Director—Vice President*
ROBERT G. KNIGHT.....*Director—Vice President and Treasurer*
BERT O. PINCH.....*Director—Assistant Secretary*
ROLAND G. SCHMITT.....*Director—Vice President and Secretary*
A. L. STARSHAK.....*Director—Vice President*
RAY E. WALKER.....*Director—Agency Division*
JAMES E. WARD.....*Director—Vice President*
O. G. GILE.....*Assistant Secretary*
P. J. REDFORD.....*Assistant Secretary*
C. S. ZALEWSKI.....*Comptroller*

Company General Auditor.....M. W. PRATT
Public Accountants and Auditors.....ARTHUR ANDERSEN & CO.

Transfer AgentsFIRST NATIONAL BANK, CHICAGO
.....GUARANTY TRUST CO., NEW YORK

RegistrarsHARRIS TRUST & SAVINGS BANK, CHICAGO
.....COMMERCIAL NATIONAL BANK & TRUST CO., NEW YORK

November 22, 1947

To our Stockholders

Our earnings for the fiscal year just ended amounted to \$3.29 per share of common stock. The figure of \$2.64 for the previous year included a non-recurring profit amounting to 45¢ a share, which was in large part offset by a reserve provision for the future costs of improvements to leased properties. Although our earnings for the recently closed fiscal year were higher than those for the previous year, federal income taxes were lower, because excess profits taxes applied to one quarter of the fiscal year which ended in 1946.

During the war years, when it was impossible to continue with our regular store improvement program, the above-mentioned reserve was set aside from profits, to be used when conditions would permit doing this deferred work. Within the fiscal year just closed, it was possible, for the first time in several years, to accomplish some of the urgently needed remodeling and enlargement of existing stores, as well as to open some new ones. Leasehold improvements amounted to over a million dollars. The higher cost is due to the installation of larger stores, which involves more construction work, and additional physical requirements that improve operating efficiency, together with a substantial increase in leasehold costs. It is our practice to charge off to expense, as made, all the costs of opening a new store or remodeling an old one—except for removable fixtures and equipment. Since the total is about four times as much as the average for the pre-war years of 1936-41, we charged off \$538,361 against current income and \$500,000 against the reserve of \$2,000,000, leaving \$1,500,000 in the reserve for future use.

Customer acceptance indicates the success of our store development program. We expect to make a considerable expenditure of the same kind in our 1948 fiscal year. However, it will be confined to only the most urgent needs and unusual opportunities.

In the year under review we opened new stores in Bridgeport, Connecticut; Fort Wayne, Indiana; New Orleans, Louisiana (2); Lubbock, Texas; Beaumont, Texas; and Rock Island, Illinois. The last two replaced smaller stores. We also completed six major remodelings, most of which were both enlarged and completely rebuilt. In addition, many other stores were partially remodeled. Our largest store in Memphis, Tennessee, was entirely destroyed by fire and plans have been finished to rebuild it. Three other stores were temporarily closed while remodeling is in progress, and four small

stores were discontinued. As of September 30th we were operating 410 stores, compared with 412 at the same date in 1946.

Sales for our 1947 fiscal year were again at an all-time record — \$154,528,471 or 9.8% higher than the preceding year. In recent months the percentage of increase over the corresponding period of a year ago has narrowed. In October, the first month of our 1948 fiscal year, sales were 1.1% higher than in the same month a year ago. During the coming year our sales figures will be working against the very high comparative ones of the year just closed.

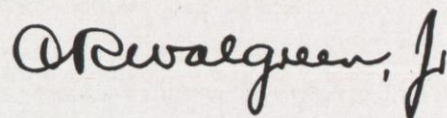
Our inventories are about one and a half million dollars lower than last year, reflecting the accomplishment of the reduction then planned and mentioned at that time. The decrease is the result of careful pruning and the balancing of various types of inventory, including the closing out of war-period merchandise.

In accordance with the provisions of the indenture covering our Preferred Stock, three thousand shares were recently called for retirement at \$103 per share and accrued dividends.

We paid a fiscal year-end extra dividend of 25¢ per share. Earnings in excess of dividends were invested in improving and refixturing our stores, factories, warehouses, etc. The plowing-back of these funds was necessary to keep our Company in its front line competitive position; and we believe that the investment was made in a manner which will insure the stability of future dividends.

On subsequent pages of this report you will find detailed financial statements, a certificate of independent accountants, and brief news of some of our more recent activities and achievements. We have included this latter material in the belief that you, as a partner in this business, are interested in keeping well informed of our progress.

Sincerely,

A handwritten signature in cursive script that reads "A. Walgreen, Jr." The signature is written in dark ink and is positioned above the printed name.

President.

Walgreen Co. and Subsidiary Companies

COMPARATIVE BALANCE SHEETS—

ASSETS

	1947	1946
CURRENT ASSETS:		
Cash	\$12,563,298	\$ 9,503,906
United States Treasury tax notes and bonds.....	1,819,395	3,404,376
Accounts receivable, less reserves.....	1,449,934	1,093,132
Inventories of merchandise, priced at the lower of cost or market, less reserves	17,919,815	19,413,804
TOTAL CURRENT ASSETS.....	33,752,442	33,415,218
PREPAID RENT, INSURANCE, TAXES, ETC.....	743,582	827,644
INVESTMENTS AND OTHER ASSETS:		
Investments in and advances to affiliated companies, at cost.....	1,225,235	556,278
Stocks and bonds of other companies, at cost.....	892,536	898,928
Notes receivable	381,500	525,353
TOTAL INVESTMENTS AND OTHER ASSETS	2,499,271	1,980,559
FIXED ASSETS, at cost:		
Land	389,388	279,629
Buildings (on owned and leased land).....	1,137,231	1,088,768
Equipment	11,447,157	10,610,046
Less—Reserves for depreciation.....	7,140,347	11,978,443
TOTAL FIXED ASSETS.....	5,833,429	4,957,026
GOODWILL, LEASEHOLDS, LEASEHOLD IMPROVEMENTS, ETC., at nominal amount	1	1
	\$42,828,725	\$41,180,448

SEPTEMBER 30, 1947 AND 1946

LIABILITIES

	<u>1947</u>	<u>1946</u>
CURRENT LIABILITIES:		
Trade accounts payable.....	\$ 5,763,709	\$ 5,310,397
Federal income taxes.....	3,270,830	3,705,838
Accrued expenses and taxes, and other liabilities.....	3,578,149	3,309,577
Cost of preferred stock redeemed on November 10, 1947.....	310,867	—
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TOTAL CURRENT LIABILITIES.....	12,923,555	12,325,812
	<hr/>	<hr/>
RESERVE FOR FUTURE COST OF IMPROVEMENTS TO LEASED PROPERTIES, ETC.	1,500,000	2,000,000
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CAPITAL STOCK AND SURPLUS:		
Preferred stock—		
4% cumulative, par value \$100 per share; redeemable on call or in voluntary liquidation at \$3 to \$1 per share premium; in accordance with the preferred stock retirement provisions of the Articles of Incorporation, 3,000 shares were redeemed on November 10, 1947, as reflected below, and at November 17 additional orders are outstanding for the purchase of 4,000 shares at par—		
Authorized and outstanding 65,000 shares.....	6,500,000	6,500,000
Par value of 3,000 shares redeemed on November 10, 1947, included in current liabilities above.....	300,000	—
Common stock without par value—		
Authorized 1,955,522 shares; issued and outstanding 1,292,485 shares	11,484,112	11,484,112
Earned surplus, per accompanying statement.....	10,721,058	8,870,524
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TOTAL CAPITAL STOCK AND SURPLUS.....	28,405,170	26,854,636
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	<u>\$42,828,725</u>	<u>\$41,180,448</u>

Walgreen Co. and Subsidiary Companies

COMPARATIVE STATEMENT OF PROFIT AND LOSS

For the Years Ended September 30, 1947 and 1946

	1947	1946
SALES AND OTHER INCOME:		
Net sales and other store income.....	\$154,929,239	\$141,093,779
Other income (net)	363,310	333,958
	155,292,549	141,427,737
COSTS AND DEDUCTIONS:		
Cost of sales and of selling, occupancy and administration, except depreciation (including, in 1946, addition of \$500,000 to reserve for inventory losses).....	145,884,971	132,846,120
Depreciation of buildings and equipment.....	791,219	752,736
Provision for contribution to employees' retirement pension trust.....	665,500	668,000
Improvements to leased properties.....	1,038,361	232,152
Portion of improvements to leased properties charged to reserve.....	500,000	—
Provision for Federal and State income taxes.....	2,900,000	3,330,000
	150,780,051	137,829,008
NET PROFIT BEFORE SPECIAL CREDIT AND RESERVE PROVISION.....	4,512,498	3,598,729
Gain on sale of investment in affiliated company after applicable income taxes	—	577,000
Reserved for future cost of improvements to leased properties, etc.....	—	500,000
NET PROFIT	\$ 4,512,498	\$ 3,675,729

COMPARATIVE STATEMENT OF EARNED SURPLUS

For the Years Ended September 30, 1947 and 1946

BALANCE BEGINNING OF YEAR.....	\$ 8,870,524	\$ 7,522,771
NET PROFIT	4,512,498	3,675,729
	13,383,022	11,198,500
DEDUCT:		
Dividends paid—		
To preferred stockholders	260,000	260,000
To common stockholders—\$1.85 and \$1.60 per share, respectively	2,391,097	2,067,976
Premium and accrued dividends on preferred stock redeemed on November 10, 1947.....	10,867	—
	2,661,964	2,327,976
BALANCE END OF YEAR.....	\$ 10,721,058	\$ 8,870,524

ARTHUR ANDERSEN & CO.

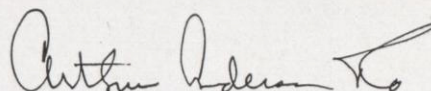
120 SOUTH LA SALLE STREET
CHICAGO 3

To the Board of Directors,

WALGREEN CO.:

We have examined the consolidated balance sheet of WALGREEN Co. (an Illinois corporation) AND SUBSIDIARY COMPANIES as of September 30, 1947 and the statements of consolidated profit and loss and earned surplus for the fiscal year then ended, have reviewed the system of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary. We had previously made a similar examination for the year ended September 30, 1946.

In our opinion, the accompanying consolidated balance sheet and related statements of consolidated profit and loss and earned surplus present fairly the position of Walgreen Co. and subsidiary companies at September 30, 1947 and the results of their operations for the fiscal year ended that date, and are in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



Chicago, Illinois,

November 17, 1947.

We enter our 40th State with a Super Drug Store in Bridgeport



Panoramic view of the beautiful new Walgreen Drug Store recently opened in Bridgeport, Conn. It has already become one of the leading shopping centers of the city.

Insert, above, shows an exterior view. This store has entrances on the most important street, plus one from a busy arcade.

port, Connecticut

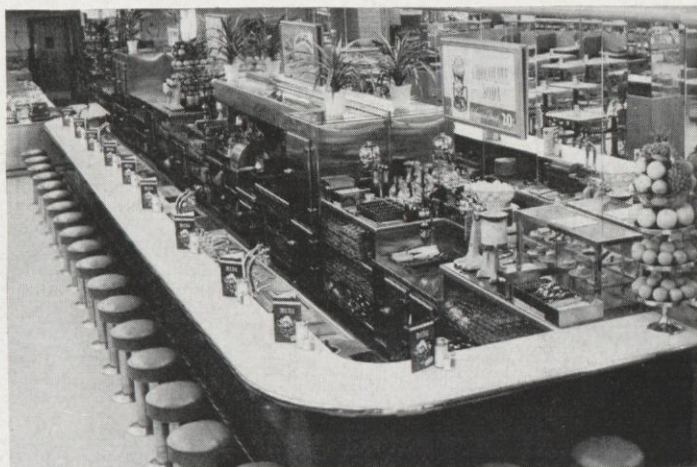


OUR BRIDGEPORT OPENING SETS PATTERN FOR FUTURE

The recent opening of an efficient new Walgreen Drug Store in Bridgeport, Connecticut, marked our entrance into the 40th State.

The Bridgeport store itself is outstanding. Occupying well over 10,000 square feet of space, completely air-conditioned, it is truly "Bridgeport's Finest Drug Store".

Our reception in Bridgeport was enthusiastic and exceptionally gratifying from the start. In operation only a few months, we are already very definitely a part of the Bridgeport scene. Present sales are substantially ahead of budgeted volume.



Pharmacy is First at Walgreen's



No matter how our stores develop in size or broaden in character, the Prescription Department still remains the Heart of our business. Its services are in substantially higher demand than ever before—the result of concentrated effort on all fronts to maintain that department's success and continually increase its customer prestige and professional standing.



Our relations with the medical profession, for example, have never been more mutually satisfying. There is a feeling of respect and of recognition that *Walgreen* Pharmacists are *dependable* pharmacists—fully experienced and thoroughly familiar with the latest developments, the newest drugs. This confidence is reflected in the increased income of our Prescription Departments.

The Walgreen "Traveling Exhibit" pictured above has been a source of real interest at medical conferences in various parts of the country. Displayed at important professional meetings, our exhibit has been visited by thousands of doctors. We have been invited to show it at the mid-winter meeting of the American Medical Association where it will be viewed by the most eminent men in the profession.



Faith well placed

The little fellow has small cause for alarm. He knows he's in reliable hands. Such a confidence can be yours every time you take a prescription to a Walgreen Pharmacist. To him the compounding of that prescription demands undivided attention, exact adherence to your Doctor's instructions, and use of fine, fresh drugs. You will find your *faith well placed* when you bring your prescription to your Walgreen Drug Store.



DEPENDABLE PRESCRIPTION SERVICE FOR 46 YEARS



Our prescription advertising is concentrated where it will do the most good—spear-headed to a select audience every month. It reaches 120,000 doctors thru *The Journal of the American Medical Association* and 150,000 health-conscious consumers via *Hygeia Magazine*.

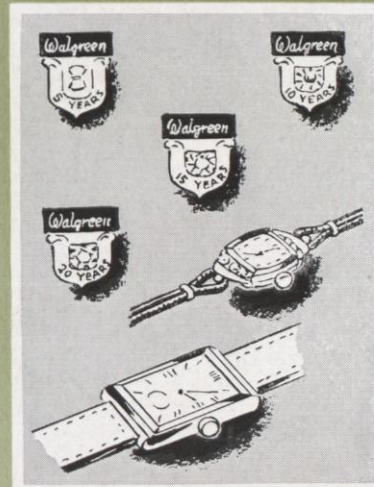
Typical is the advertisement reproduced here from the November issue of *Hygeia Magazine*.

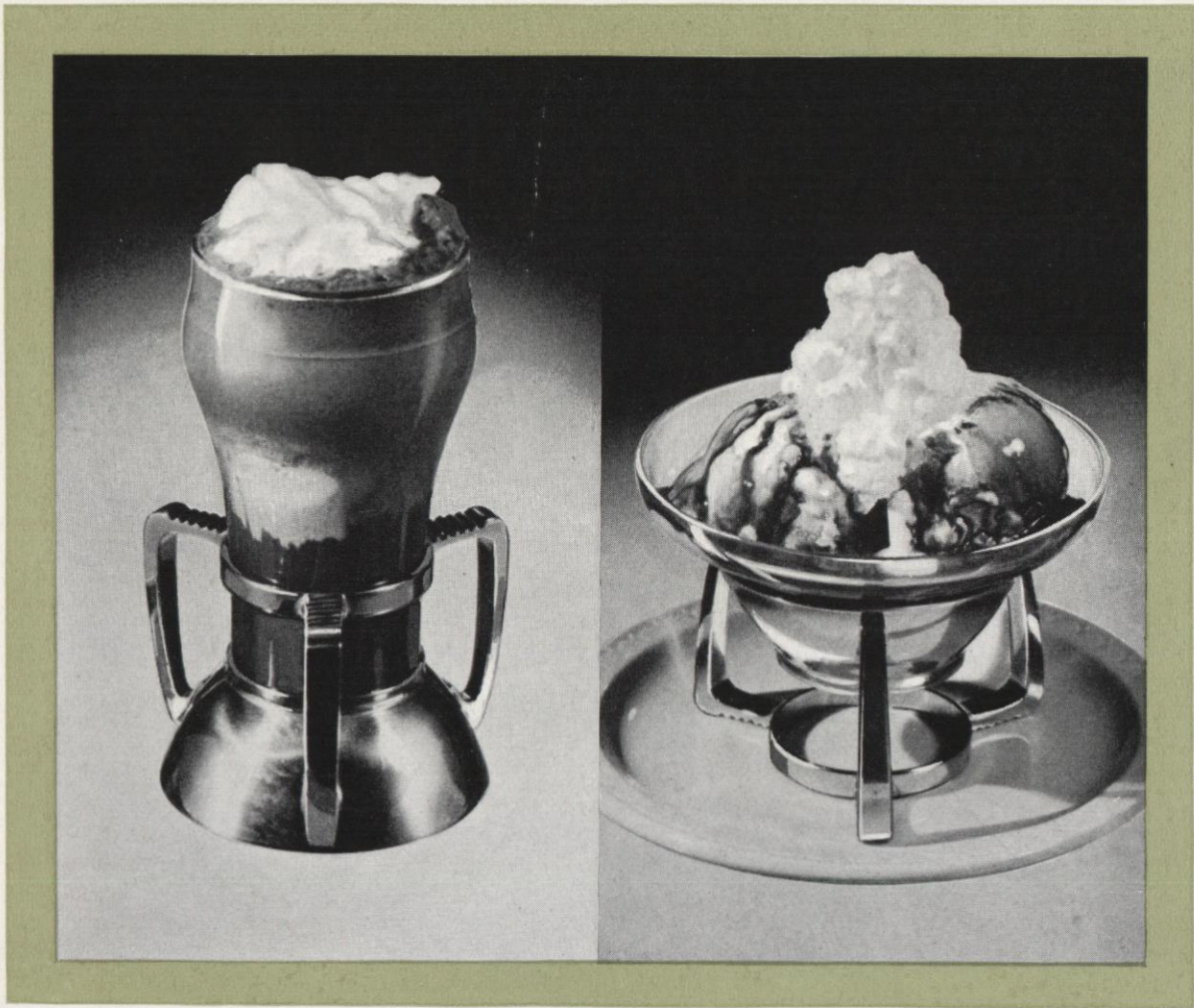
Recognition

WELCOME TO
Walgreen's



We are proud of the record of stability established by our personnel. Because we believe it important to foster loyalty and dependability in our people, we present awards in recognition of service. To date, we have had the pleasure of giving 106 twenty-five-year gold watches, more than 300 diamond-studded twenty-year pins, over 2,000 fifteen-year pins and thousands more for service of 10, 5 and 3 years.





Leadership

Early in our history we built a reputation for leadership in the soda fountain business. We intend to maintain that leadership aggressively. We are first again with a completely new, completely modern soda and sundae service. The gleaming chromium holder is unique and has a double use. In one position it holds a soda; inverted presents a sundae. Both sodas and sundaes have more eye appeal, more taste appeal, and our sales have increased materially.



Recognized as leaders in drug store fountain operation, we were given priority on the introduction of this new soda and sundae service and were first to present it to the public—once again setting the pace in Fountain "Firsts".



Distribution of Sales

As a stockholder you will be interested in the above map showing the distribution of our sales throughout the country.

- (1) Southern States, \$44,662,414 or 28.8%
- (2) Midwest States (excluding Chicago), \$43,111,330 or 27.8%
- (3) Chicago, \$33,728,249 or 21.8%
- (4) Western States, \$16,789,386 or 10.9%
- (5) Eastern States, \$16,637,860 or 10.7%

Walgreen Stores and Walgreen Agencies are conveniently located for most customers. They offer a wide selection of fine, fresh, first-quality merchandise—*priced right*. We believe they merit your regular patronage as well as that of your family and friends on the very practical ground of your own interests—as a discerning consumer as well as a stockholder.

WELCOME TO

Walgreen's

